MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BAB2024 – MANAGEMENT ACCOUNTING FOR MANAGERS

(All sections / Groups)

26 MAY 2017
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages with 4 Questions only.
2. Answer **ALL** Questions in the answer booklet provided.

QUESTION 1

Part A

The managing director of Camping Fun Bhd has heard that some of his competitors are using Activity Based Costing to allocate overheads and he has asked you in details in order to get more information about it.

Required:

a) Describe how activity based costing operates.

(5 marks)

b) Distinguishes between traditional absorption costing and activity based costing.

(4 marks)

c) Outlines the advantages and disadvantaged of activity based costing.

(8 marks)

Part B

The following are costs of Big Ten Trucks, a manufacturer of large diesel vehicles.

1. Aluminum used in manufacturing each truck's body.
2. Factory supervisor's salary.
3. Company president's salary.
4. Cleaning supplies used for daily cleanup.
5. Wages of workers who build the engines.
6. Patent lawyer's costs.
7. Accounting fees.
8. Depreciation on sales person's car.

Required:

For each cost, identify it as:

a) Product or Period.

(4 marks)

b) Direct Material, Direct Labour, Manufacturing Overhead, Selling and Administrative Expenses.

(4 marks)

(Total 25 marks)

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QUESTION 2

Papan Platforms Bhd manufactures tables. Materials are added at the beginning of the process and conversion costs are incurred evenly throughout the process. Data for February follows:

Production Data

	Units	Percent Complete
Units in process, February 1	120	80%
Units started into production	380	
Units in process, February 28	100	60%

Cost Data

Work in process, Feb 1:	
Materials	RM1,000
Labour	500
Manufacturing overhead	750
Costs added:	
Materials	RM4,000
Labour	390
Manufacturing overhead	2,500

Required:

a) Compute the physical units of production.
(3 marks)

b) Compute equivalent units of production for materials and for conversion costs.
(3 marks)

c) Determine the unit costs of production.
(5.5 marks)

d) Show the assignment of costs to units transferred out and in process.
(5 marks)

e) Prepare the production cost report for February 2017.
(8.5 marks)

(Total 25 marks)

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QUESTION 3

Benwork Wood Bhd was established in Malaysia in 1990 and currently manufactures bookcase for the Malaysia market. The company uses variable costing to value production and inventory, and prepares its budgets in advance for each quarter. The accountant has provided a range of information for the next quarter to 31 December 2016 as follows:

Projected sales in units for the next four months:

October	November	December	January
5,000	4,500	6,200	4,600

Bookcases sell for RM80 each.

The **standard cost** card for bookcases is shown below:

	RM
Direct materials:	
Birch plywood sheets (RM25 per sheet)	37.50
Direct labour (RM15 per hour)	18.75
Variables overheads (RM6 per direct labour hour)	7.50
Total	64.00

The cost of plywood sheets has not changed in the past two years and is not expected to change until March 2017. Additionally, the direct labour and variable overhead rates above are applicable for the period from 1 June 2016 to 30 May 2017.

The company estimates that at 1 October 2016 **inventory levels** will be:

Bookcases	1,500
Birch plywood sheets	1,000

To ensure that it maintains sufficient inventory of bookcase company policy is to hold 20% of the next month's unit sales in closing inventory..

For the plywood sheets the company intend to double inventory held at 1 October 2016 and maintain this level of closing inventory each month until 31 March 2017.

Required:

a) Prepare a sales budget (in units and RM) for the quarter ending 31 December 2016. (4 marks)

b) Prepare a production budget in units for the quarter ending 31 December 2016. (6 marks)

c) Prepare a materials purchase budget (in units and RM) for each material for the quarter ending 31 December 2016. (10.5 marks)

d) Prepare a labour cost budget (in units and RM) for the quarter ending 31 December 2016. (4.5 marks)

(Total 25 marks)

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QUESTION 4

Part A

Rosie's Cupcakes sells cupcakes and other deserts through its retail store. The company has always made all of its ingredients from scratch, but has recently been approached by a supplier that specializes in icing. Rosie believes that the supplier's icing is of equal quality to her own, and believes their offer of RM3.00 per litres may enable her to save money. Rosie is evaluating her own cost of producing icing:

	Per Litre	5,000 litres per year
Direct materials	RM0.80	RM4,000
Direct labour	RM0.60	RM3,000
Variable manufacturing overhead	RM0.10	RM 500
Fixed manufacturing overhead	RM3.00	RM15,000
Total	RM4.50	RM22,500

If the company purchases icing, all variable costs and 30% of the fixed costs will be eliminated.
Examining the report, Rosie says, "Their icing is just as good, and it would save me RM1.50 per litre, that's over RM7,500 for the year. I think I'm going to take the deal."

Required:

a) Assuming there is no other use for the icing equipment or the space it uses in the kitchen, what is the net RM advantage or disadvantage of accepting the supplier's offer? (11.5 marks)

b) If the offer is accepted, Rosie's Cupcakes could use the space that had been previously used for making icing as an egg-frying space. Rosie believes that a new egg line of cupcakes would produce margins of RM5,000 per year. Should Rosie's Cupcakes accept the supplier's offer?

(2 marks)

Part B

Caffee Berhad manufactures cappuccino makers. For the first eight months of 2016, the company reported the following operating results while operating at 80% of plant capacity:

Sales (500,000 units)	RM90,000,000
Cost of goods sold	54,000,000
Gross profit	36,000,000
Operating expenses	24,000,000
Net income	RM12,000,000

An analysis of costs and expenses reveals that variable cost of goods sold is RM95 per unit and variable operating expenses are RM35 per unit.

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In September, Caffee Berhad receives a special order for 40,000 machines at RM135 each from a major coffee shop franchise. Acceptance of the order would result in RM10,000 of shipping costs but no increase in fixed expenses.

Required:

a) Prepare an incremental analysis for the special order.

(9.5 marks)

b) Should Caffee Berhad accept the special order? Justify your answer.

(2 marks)

(Total 25 marks)

End of Paper